

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

JON LAKATOS,

Plaintiff,

v.

RLI CORP. et al.,

Defendants.

Case No. 2:24-cv-03678-SB-MRW

ORDER TO SHOW CAUSE RE
FRAUDULENT JOINDER

Plaintiff Jon Lakatos filed this suit in the Ventura County Superior Court on March 21, 2024, against Defendants RLI Corp. and Mercury Insurance Company. Dkt. No. 1-2. Defendant RLI removed the case on May 3, asserting that this court has diversity jurisdiction because RLI and Lakatos are completely diverse. Dkt. No. 1 ¶ 6. Mercury is a California citizen (as is Lakatos), but RLI contends that the Court should disregard Mercury's citizenship because Mercury has been fraudulently joined. *Id.* ¶¶ 10–11 (citing *Grancare, LLC v. Thrower*, 889 F.3d 543, 548 (9th Cir. 2018); *Ritchey v. Upjohn Drug Co.*, 139 F.3d 1313, 1318 (9th Cir. 1998); *Hunter v. Philip Morris USA*, 582 F.3d 1039, 1044 (9th Cir. 2009)). RLI argues that the complaint does not set forth the existence of an actual controversy between Lakatos and Mercury and that it does not entitle him to any relief from Mercury.

The Court has a duty to assess whether federal subject-matter jurisdiction exists and may consider the issue sua sponte. *See Allstate Ins. Co. v. Hughes*, 358 F.3d 1089, 1093 (9th Cir. 2004); *Ruhrgas AG v. Marathon Oil Co.*, 526 U.S. 574, 583 (1999) (recognizing that “Article III generally requires a federal court to satisfy itself of its jurisdiction over the subject matter before it considers the merits of a case”). The Court cannot exercise jurisdiction in this case unless Mercury is fraudulently joined. Accordingly, Lakatos is ordered to show cause, in writing, by no later than 10:00 a.m. on May 20, 2024, why the Court should not regard Mercury as a fraudulently joined defendant and disregard its citizenship for

purposes of diversity jurisdiction. Failure to timely respond will be deemed consent to the dismissal without prejudice of Lakatos's claims against Mercury based on fraudulent joinder.

Date: May 15, 2024



Stanley Blumenfeld, Jr.
United States District Judge